Weekly Economic Review

Alberta draws record number of immigrants

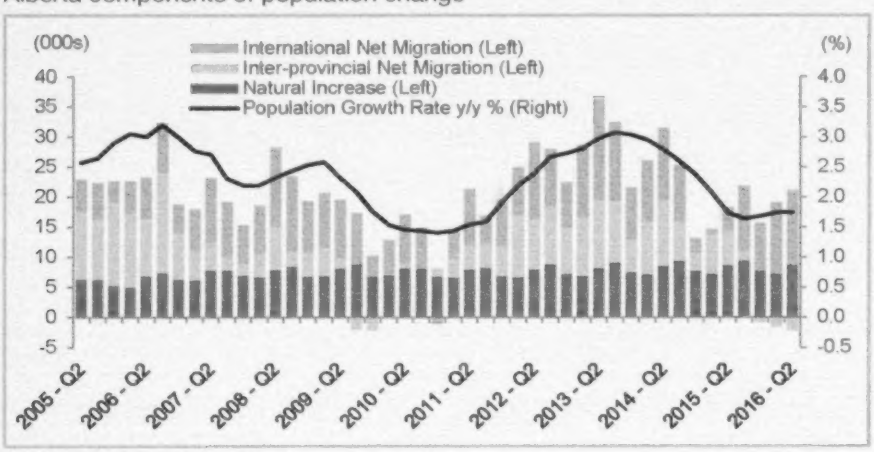
Population

Immigrants support population growth

As of July 1st, 2016, Alberta's population was estimated at 4,252,879, up 1.8% year-over-year (y/y). Record second quarter inflows of immigrants were a key contributor to population growth, with an additional 12,467 net new residents added through net international migration. Overall, total net migration contributed just over half of the population increase this quarter, with natural increase accounting for the remainder. However, a weaker labour market led to the third-straight quarterly net outflow of interprovincial migrants (-2,165). The net outflow of non-permanent residents (-1,633) also persisted for the seventh straight quarter. Despite this, Alberta's year-over-year population growth remained over half a percentage point above the national average of 1.2% y/y.

Chart 1: International migrants remain a key driver of population growth

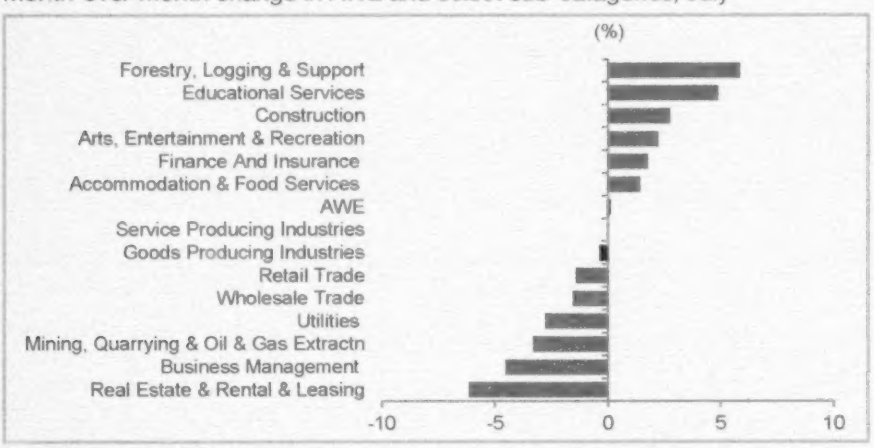
Alberta components of population change



Source: Statistics Canada

Chart 2: Mixed performance for industry wage growth

Month-over-month change in AWE and select sub-catagories, July



Source: Statistics Canada

Average Weekly Earnings

Weekly earnings unchanged

Alberta's ongoing job market downturn has muted upward pressures on wages. The province's average weekly earnings (AWE) were nearly unchanged at $1,119 in July. Earnings in the goods sector fell 0.3% month-over-month (m/m) to $1,620, partly due to falling pay for workers in the mining, oil and gas, utilities and manufacturing industries. However, improved pay in construction and forestry and logging helped offset lower earnings in other goods producing industries. Service sector earnings were essentially unchanged at $978 and have steadily weakened since early 2016. Higher earnings in educational services, finance and insurance, as well as arts, entertainment and recreation were outweighed by lower or nearly unchanged earnings for most other service industries. Year-to-date (YTD), earnings have declined 3.1%.

Job Vacancies

Job openings increasingly sparse

Alberta's workers continue to face waning labour demand and dwindling job opportunities. Over the three months ending in June, the average number of job vacancies in Alberta fell by 1,300 openings to 25,800. Moreover, compared with June 2015, there were 8,800 fewer available jobs and about half the number of openings at the peak

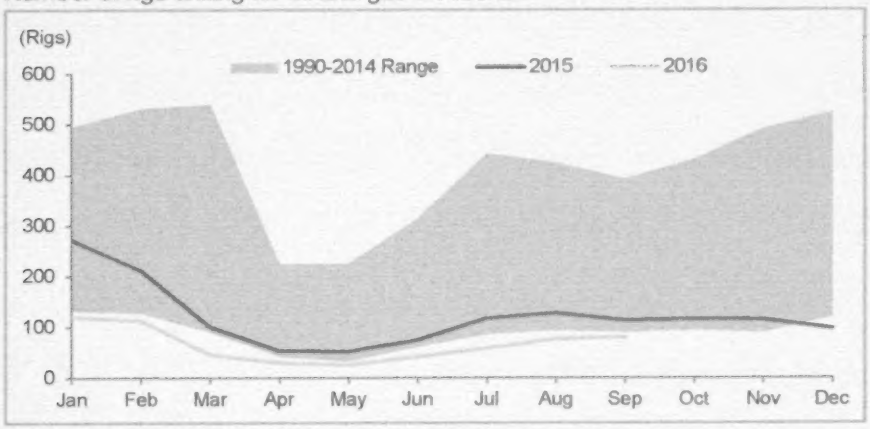
in October 2014. The job vacancy rate - the proportion of positions yet to be filled - ticked down to 1.3% between May and June, although still in line with the national average. The drop in vacancies and higher unemployment pushed the unemployment-to-job-vacancies ratio up by 0.4 pp to 7.6.

Rigs Drilling

Drilling still relatively soft but showing signs of stability

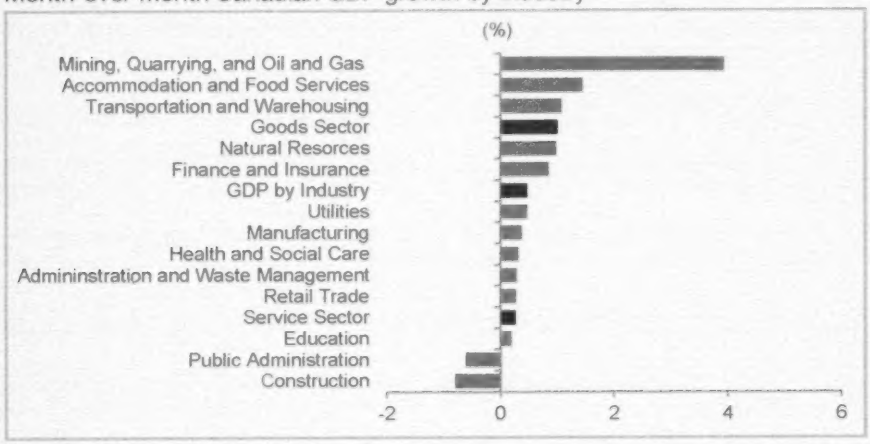
Rigs drilling activity in Alberta remained weak due to low oil prices, but tentative signs suggest the rigs count is stabilizing. There were 80 rigs in operation across Alberta in September. On a month-over-month basis though, the change between August and September this year was positive (+5%) while during the same period last year the rigs count was on the decline (-11%). However, despite the initial signs of improvement rigs drilling was down 29% from the previous year. Moreover, rig utilization remained weak with 17% of available rigs in use.

Chart 3: Despite ongoing weakness rigs count looks more stable
Number of rigs drilling for oil and gas in Alberta



Source: Canadian Association of Oilwell Drilling Contractors

Chart 4: Growth gets a boost as crude production comes back online
Month-over-month Canadian GDP growth by industry



Sources: Statistics Canada

Metres Drilled

Price shock spurs more efficiency

Low energy prices have also weighed on metres drilled. A total of 442,566 metres were drilled in July, down 44% y/y. The drop-off in drilling was reflected in fewer metres drilled for conventional oil (-42% y/y) as well as bitumen (-74% y/y). Natural gas drilling has also waned (-32% y/y). However, low energy prices have led to improved drilling efficiency; the number of metres drilled per well has risen by 5.4% YTD for crude oil and 13% YTD for natural gas.

Canadian GDP by Industry

Growth picks up post wildfire

The impact of this summer's wildfires in Northern Alberta on Canada's economy looks to be dissipating. Real GDP was up for a second month, rising 0.5% m/m in July. The goods sector led growth, rising 1.0% m/m, supported by a large jump in non-conventional oil production (19.3%). Increased output within the agriculture, forestry and fishing (1.0%), utilities (0.5%), and manufacturing (0.4% mm) industries also boosted growth. In contrast, the construction industry remained a soft spot (-0.8% m/m). The service sector had another solid month (0.3% m/m), led by stronger business activity in accommodation and food service, transportation and warehousing, and finance and insurance industries. The only service to experience a pullback in activity was public administration (-0.6%), partly due to the culmination of the 2016 national census. Services have been a pillar of support for Canada's economy, with output in that sector rising for fourteen straight months.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.